

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 2391 - HB 2677**

March 3, 2018

**SUMMARY OF BILL:** Exempts from state and local sales and use tax tangible personal property, computer software, and taxable services sold, given, or donated to chambers of commerce which are 501(c)(6) organizations pursuant to the federal Internal Revenue Code.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – \$1,113,200**

**Decrease Local Revenue - \$454,300**

Assumptions:

- Exempting from state and local sales and use tax tangible personal property, computer software, and taxable services sold, given, or donated to chambers of commerce which are 501(c)(6) organizations pursuant to the federal Internal Revenue Code will result in a loss in state and local sales and use tax revenue.
- The number of chambers of commerce in the state is unknown, as is the percentage of such chambers of commerce to which this legislation would be applicable.
- There are 345 cities and 95 counties in Tennessee, for a total of 440 local jurisdictions.
- It is assumed that at least 75 percent of such jurisdictions or 330 total jurisdictions (440 x 75 %) have chambers of commerce to which this legislation would apply.
- Average annual purchases per chamber of commerce of \$50,000, for a total of \$16,500,000 (330 x \$50,000) in purchases for which state and local sales and use tax would no longer be levied against.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- A recurring decrease in state revenue of \$1,113,224  $[(\$16,500,000 \times 7\%) - (\$16,500,000 \times 7\% \times 3.617\%)]$ .
- A recurring decrease in local revenue of \$454,276  $[(\$16,500,000 \times 2.5\%) + (\$16,500,000 \times 7\% \times 3.617\%)]$ .
- A chamber of commerce is not a strict governmental entity, but a network for the purpose of promoting local businesses.
- There will be a reduction of tax expenditures accruing to the applicable chambers of commerce estimated to average approximately \$396 per month  $\{[(\$1,113,224 +$

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\$454,276) / 330 entities] / 12 months}; thus resulting in additional funding being made available to the applicable chambers of commerce. However, given the relative low monthly amount of tax savings per entity, it assumed that such tax savings will be subsequently expended on chamber administration, and further given that such chambers would be exempt from any sales tax under this legislation, no additional state or local sales tax revenue is expected to be generated from the expenditure of such tax savings.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/jdb